

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 IO-11 ISO-00 AGR-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01

FRB-03 OMB-01 SS-15 NSC-05 SSO-00 NSCE-00 INRE-00

ITC-01 L-03 H-02 /078 W

----- 005333

O R 181635Z FEB 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 4030

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

USMISSION GENEVA

USDEL MTN GENEVA

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E. O. 11652: N/A

SUBJECT: MEETING OF SUB-GROUP ON TRADE

REF: (A) STATE 29154 (B) BRASILIA 1287 (C) STATE 8583

1. SUMMARY: ECON COUNSELOR DISCUSSED U.S. PROPOSAL FOR SUB-GROUP MEETING WITH BOTH FOREIGN MINISTRY AND MINISTRY OF FINANCE. BOTH CABRAL DE MELLO (ITAMARATY) AND DORNELLES (FINANCE) WERE POSITIVE TO IDEA OF MARCH MEETING. PREVIOUS DISCUSSIONS HELD BY ECON COUNSELOR WITH ROUANET (WHO IS ON CABRAL DE MELLO'S STAFF) REVEALED, HOWEVER, THAT THIS POSITIVE FEELING MAY NOT BE SHARED AT LOWER LEVELS. CABRALLO LEFT THE CLEAR IMPRESSION THAT HE WOULD RECOMMEND IN FAVOR OF SUCH A MEETING AND PROMISED A DEFINITE GOB REPLY SHORTLY. END SUMMARY.

1. ON FEBRUARY 16, ECON COUNSELOR CALLED ON AMBASSADOR CABRAL DE MELLO, HEAD OF THE FOREIGN MINISTRY'S ECONOMIC

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DEPARTMENT, TO PRESENT US PROPOSAL FOR WASHINGTON MEETING OF THE SUB-GROUP ON TRADE MARCH 11-12,

LEAVING INFORMAL TALKING POINTS BASED ON REFTELS
(A) AND (C). COUNSELOR ALSO PROPOSED THAT TEXTILE
TALKS BE DEFERRED BY ONE WEEK, STRESSING THAT USG
WOULD WISH TO AVOID FURTHER SLIPPAGE OF THESE
NEGOTIATITNS BEYOND MARCH 15.

2. COUNSELOR STRESSED THAT US SIDE ATTACHES SOME
URGENCY TO AN EARLY MEETING OF THE SUB-GROUP, IN
LIGHT OF DEVELOPMENTS IN GENEVA AS WELL AS IN THE
BILATERAL TRADE RELATIONSHIP SINCE LAST OCTOBER.
IN US VIEW, FORMAT OF THE OCTOBER MEETING, PERMITTING
A FULL AND SYSTEMATIC EXCHANGE BETWEEN SENIOR TRADE
OFFICIALS FROM VARIOUS MINISTRIES ON BOTH SIDES,
HAD BEEN SUCCESSFUL, AND WE HOPED THAT SIMILAR
FORMAT COULD BE ADOPTED FOR THE WASHINGTON TALKS.
THE US ENVISAGED THAT THE AGENDA SHOULD AGAIN BE
IN TWO PARTS, INCLUDING A REVIEW OF CURRENT ISSUES
IN THE MTN AND EXTENSIVE, IN-DEPTH DISCUSSION OF
BILATERAL TRADE ISSUES.

3. CABRAL DE MELLO SAID HE THOUGHT A SECOND MEETING
OF THE SUB-GROUP WOULD BE VERY USEFUL. US-BRAZILIAN
RELATIONS IN THE TRADE AREA HAD DETERIORATED SINCE
OCTOBER, AND WERE GETTING WORSE. MORE AND MORE SERIOUS DIFFICUL-
TIES WERE CLEARLY LYING AHEAD. HE PERSONALLY
FAVORED THAT THESE ISSUES BE ADDRESSED CANDIDLY TO SEE WHAT
COULD BE DONE. HE THEREFORE FAVORED TAKING ADVANTAGE OF
ROUANET'S PRESENCE IN WASHINGTON TO CONVENE THE GROUP. HE ALSO
NOTED TREASURY SECRETARY SIMON'S FORTHCOMING VISIT AND
COMMENTED POSITIVELY ON THE OPPORTUNITIES WHICH
THIS VISIT WOULD OFFER FOR AN ADDRESS OF THE
BILATERAL TRADE ISSUES BETWEEN FINANCE MINISTER SIMONSEN
AND SECRETARY SIMON. WITH RESPECT TO THE
SECRETARY OF STATE'S FORTHCOMING VISIT, CABRAL
DE MELLO NOTED THE IMPORTANCE OF TRADE ISSUES IN
THE RELATIONSHIP BUT GAVE NT CLEAR INDICATION AS TO
HOW FAR BRAZILIAN SIDE WOULD PLAN TO GO IN PRESSING
THESE ISSUES WITH THE SECRETARY. (IN A SIDE COMMENT, HE
SAID THAT THE ECONOMIC MINISTERS WOULD PRESUMABLY WISH TO ADDRESS
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THESE ISSUES.)

4. IN RESPONSE TO A QUESTION ABOUT A DEFINITE GOB
REPLY, CABRAL DE MELLO SAID HE HOPED TO BE BACK "IN
TIME" BUT MADE CLEAR HE WOULD RECOMMEND ACCEPTANCE OF
THE US PROPOSAL FOR A MEETING.

5. ON FEBRUARY 17, ECON COUNSELOR AND FINATT CALLED
ON FRANCISCO DORNELLES OF THE FINANCE MINISTRY TO MAKE
THE SAME POINTS ADDRESSED TO CABRAL DE MELLO. EMBASSY

DECIDED TO MAKE THIS PRESENTATION TO THE MINISTRY OF FINANCE FOR TWO REASONS: (A) FINANCE MINISTRY HAS BEEN INTIMATELY INVOLVED IN THE COUNTERVAILING DUTY CASES AND (B) IT HAS TAKEN, AT LEAST UP TO NOW, A MORE REALISTIC AND PRAGMATIC APPROACH TOWARD BILATERAL TRADE PROBLEMS WITH THE U.S.. DORNELLES HAS BEEN THE KEY FIGURE IN THE MINISTRY INVOLVED IN THESE MATTERS, AND HIS PARTICIPATION IN A MEETING IN WASHINGTON WOULD BE VERY HELPFUL.

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6. DORNELLES WAS OPEN TO THE IDEA OF A MEETING IN MARCH BUT DEFERRED TO THE FOREIGN MINISTRY FOR THE FINAL DECISION. HE DID, HOWEVER, MAKE TWO SPECIFIC POINTS: (1) HE WOULD RECOMMEND THAT SUCH A MEETING BE SMALL; HE SAID THAT LARGE MEETINGS DO NOT ACCOMPLISH MUCH; AND (2) HE WOULD LIKE TO KNOW IN GREATER DETAILS WHAT THE DISCUSSIONS WOULD BE ALL ABOUT; HE INDICATED THAT HE HAS HAD A NUMBER OF MEETINGS WITH U.S. OFFICIALS ON BILATERAL TRADE PROBLEMS, ONLY TO BE TOLD THAT THERE IS NO

FLEXIBILITY IN THE U.S. POSITION BECAUSE OF OUR
VERY STRICT LEGAL REQUIREMENTS.

7. COMMENT: ECON COUNSELOR ALSO INFORMALLY EXPLORED
THE SUBJECT OF A SUB-GROUP MEETING WITH ROUANET TWO
WEEKS AGO, RECALLING THE AGREEMENT REACHED LAST ONTOBER
FOR A MEETING IN A JANUARY-FEBRUARY TIME FRAME.
AT THAT TIME, ROUANET WAS NOT VERYPOSITIVE, RAISING
SOME DOUBTS WHETHER THERE WERE SUFFICIENTLY NEW
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DEVELOPMENTS IN THE MTN TO WARRANT A SUB-GROUP
MEETING. HE CLEARLY DID NOT THINK OF USING THE GROUP
FOR A DISCUSSION OF BILATERAL ISSUES AND SINCE
THE COUNSELOR WAS NOT INSTRUCTED HE DID NOT PRESS
THE MATTER AT THE TIME. CONSEQUENTLY, WHILE
CABRAL DE MELLO MAY FAVOR SUCH DISCUSSIONS IN
MARCH, THIS FEELING MAY NOT BE SHARED BY SOME KEY
PEOPLE ON HIS STAFF, AND THIS MAY AFFECT BOTH THE
TIMING AND THE NATURE OF THE REPLY. EMBASSY,
HOWEVER, BELIEVES THAT CABRAL DE MELLO'S VIEW WILL
PREVAIL UNLESS IT IS OVERTURNED AT THE MINISTERIAL
LEVEL.
CRIMMINS

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Message Attributes

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